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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, DECEMBER 22, 2000

APPLICATION OF

DELMARVA POWER & LIGHT COMPANY

CASE NO. PUE000744

Virginia Base and Fuel Rate Filing
To Implement Tax and Fuel Rate
Changes Effective January 1, 2001

ORDER ESTABLISHING FUEL FACTOR PROCEEDING

On June 29, 2000, this Commission issued an Order in Case No. PUE000086 addressing a proposed functional separation plan filed by the Delmarva Power & Light Company ("Delmarva" or "the Company"). Delmarva's proposed plan, among other things, provided for a three-phase divestiture of all of its generating units. The divestiture was approved in the Commission's June 29, 2000 order. In the course of that proceeding, the Company entered into a Memorandum of Agreement ("MOA") with the Commission Staff. A portion of the MOA proposed that the Commission approve the Company's agreement to (i) maintain its current fuel factor of 1.917¢ per kWh until the earlier of the first day of the month preceded by an interval of at least 15 days following the complete divestiture of its generating units, or January 1, 2001, (ii) reset its fuel factor to 2.1¢ per kWh through a separate application upon the earlier of the first day of the month preceded by an interval of at least 15 days following the complete divestiture of its generating units, or January 1, 2001, and to further freeze the fuel factor at that level without any further deferral of fuel costs until January 1, 2004, and with the provision to collect an unrecovered fuel balance of \$892,921 over the first 24 months of this period, and (iii) establish a fuel index mechanism for determining its fuel factor effective January 1, 2004, and until the end of the capped rate period under the Virginia Electric Utility Restructuring Act ("the Act").¹

¹ Chapter 23 (§ 56-576 et seq.) of Title 56 of the Code of Virginia.

The MOA was filed by the Company on June 12, 2000; a Commission Staff report in support of the MOA was filed with the Commission on June 15, 2000. In its June 29, 2000, Order, the Commission approved the MOA, finding that its provisions were ". . . in the public interest and that they will benefit Delmarva's customers."² Ordering paragraph (2) in that Order directed the Company to make a separate application pursuant to § 56-249.6 for authority to increase its fuel rates in accordance with the MOA.

Accordingly, on November 17, 2000, Delmarva filed an application to revise its fuel factor to 2.1702¢ per kWh effective January 1, 2001. This factor comprises a fixed component of 2.0452¢ per kWh increased by an adjustment of 0.125¢ per kWh. As discussed above, the fuel factor proposed in this application corresponds to agreements between the Company and the Commission Staff embodied in the June 12, 2000, MOA and as approved by our June 29, 2000, Order.

The MOA stated that the parties agreed to a fixed fuel factor of 2.1¢ per kWh (inclusive of gross receipts tax) for the three-year period January 2001 through December 2003 subject to adjustments described below. This represented a settlement among the parties and was based upon historic fuel costs for Delmarva. By legislative action, the gross receipts tax is to be eliminated effective January 1, 2001, and the proposed fuel factor minus the tax is calculated to be 2.0452¢ per kWh.

The MOA also stated that the parties agreed that Delmarva would be permitted to add an adjustment to the fuel factor over the 24-month period January 2001 to December 2002. The purpose of this adjustment was to collect a negotiated deferred fuel balance of \$892,921. The MOA assumed annual sales in the amount of 356,673,494 kWh.

In its November 17, 2000, application Delmarva determined the appropriate adjustment to be a factor equal to 0.125¢ per kWh as calculated from the dollar and sales amounts in the MOA and as stated above. This correction factor would expire on January 1, 2003, with no subsequent adjustment

² Commission's Order in APPLICATION OF DELMARVA POWER & LIGHT COMPANY, for approval of a plan for functional separation of generation pursuant to the Virginia Electric Utility Restructuring Act, Case No. PUE000086; APPLICATION OF DELMARVA POWER & LIGHT COMPANY, CONNECTIV DELMARVA GENEATION, INC. and CONNECTIV ENERGY SUPPLY, INC., for approval of transactions under Chapters 4 and 5 of Title 56 of the Code of Virginia, Case No. PUA000032, pg.4.

made for any under-recovery or over-recovery. Consequently, the fuel factor for the period January 1, 2003, through December 31, 2003, would be 2.0452¢ per kWh. Additionally, as per the MOA, deferred fuel accounting for fuel expenses would cease.

We are mindful that the proposed fuel factor is in accordance with the June 12, 2000, MOA between Delmarva and the Staff, and that the Commission's June 29, 2000, Order found the MOA's provisions, in general, to be in the public interest. Thus, while we are setting a hearing date of February 22, 2001, we will allow the Company to collect, on an interim basis, a fuel factor of 2.1702¢ per kWh effective with the January 2001 billing month. Accordingly,

IT IS ORDERED THAT:

- (1) This matter is docketed and assigned Case No. PUE000744
- (2) The proposed fuel factor of 2.1702¢ per kWh shall be effective, on an interim basis with the January 2001 billing month.
- (3) A hearing is hereby scheduled for February 22, 2001, in the Commission's Second Floor Courtroom for the purpose of receiving evidence related to the establishment of Delmarva's fuel factor to be effective January 2001, pursuant to § 56-249.6 of the Code of Virginia and the Commission's Order of June 29, 2000, in Case No. PUE000086.
- (4) Any member of the public may obtain a free copy of Delmarva's application and exhibits by contacting the Company's counsel as follows: Guy T. Tripp, III, Esquire, Hunton & Williams, Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219-4074. All papers filed in this docket, as well as the related docket PUE000086, may be reviewed at the Commission's Document Control Center, Tyler Building, 1300 East Main Street, Richmond, Virginia.
- (5) On or before January 29, 2001, any person desiring to participate as a Protestant, as defined in Rule 4:6 of the Commission's Rules of Practice and Procedure ("S.C.C. Rules") 5 VAC 5-10-180, shall file with the Clerk, Document Control Center, P.O. Box 2118, Richmond, Virginia 23218, an original and fifteen (15) copies of a Notice of Protest, a Protest, and the prepared testimony and exhibits the Protestant intends to present at the hearing. The Protestant shall serve two (2) copies of each of these documents on the Commission Staff and on Counsel for the Company as follows:

Guy T. Tripp, III, Esquire, Hunton & Williams, Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219-4074. Two (2) copies of each of these documents shall also be served on all other Protestants on or before February 2, 2001.

(6) The Commission Staff shall investigate the reasonableness of the Company's proposed fuel factor. In conjunction therewith, the Commission Staff is hereby authorized, to the extent practicable, to rely on the report it prepared and filed in connection with Case No. PUE000086, supplementing the same to the extent necessary to fulfill its obligations herein. On or before February 10, 2001, the Commission Staff shall file any such supplemental report with the Commission, and send copies thereof to the Company and to each Protestant.

(7) On or before February 16, 2001, Delmarva, Protestants, and the Staff shall file an original and fifteen copies of all testimony each expects to introduce in rebuttal to any direct prefiled testimony and exhibits. Such rebuttal testimony shall be filed with the Clerk of the Commission, with copies to the Staff, Delmarva, and each Protestant. Additional rebuttal evidence may be presented without prefiling, if it is in response to evidence which was not prefiled but elicited at the time of hearing and provided further the need for additional rebuttal evidence is timely addressed by motion during the hearing and leave to present said evidence is granted by the Commission. A copy of the prefiled rebuttal evidence shall be served upon all other Protestants.

(8) Discovery shall be in accordance with Part VI of the Commission's Rules of Practice and Procedure, 5 VAC 5-10-450 to -510, except that the Company and Protestant(s) shall respond to written interrogatories or data requests within five (5) days of service. Protestants shall provide the Company, other Protestants, and Staff with any work papers or documents used in preparation of their filed testimony promptly upon request.

(9) On or before January 5, 2001, Delmarva shall cause a copy of the following notice to be published as display advertising (not classified), on one occasion in newspapers of general circulation throughout its service territory:

NOTICE TO THE PUBLIC OF A FUEL
FACTOR PROCEEDING FOR DELMARVA
POWER & LIGHT COMPANY
CASE NO. PUE000744

On November 17, 2000, Delmarva Power & Light Company ("Delmarva" or "the Company") filed with the Virginia State Corporation Commission ("the Commission") an application to increase its fuel factor from 1.9170¢ per kWh to 2.1702¢ per kWh, effective January 1, 2001.

The proposed fuel rate reflects the elimination of the gross receipts tax of 2%, the special revenue tax of 0.18%, and the local tax of 0.5%.

Pursuant to Virginia Code § 56-249.6, the Commission has scheduled a public hearing to commence at 10:30 a.m. on February 22, 2001, in the Commission's Second Floor Courtroom, Tyler Building, 1300 East Main Street, Richmond, Virginia, for the purpose of receiving evidence related to the establishment of Delmarva's fuel factor.

Individuals with disabilities who require an accommodation to participate in the hearing should contact the Commission at 1-800-552-7945 (voice) or 1-804-371-9206 (TDD) at least seven days before the scheduled hearing date.

Any member of the public may obtain a free copy of Delmarva's application and exhibits by contacting the Company's counsel as follows: Guy T. Tripp, III, Esquire, Hunton & Williams, Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219-4074. All papers filed in this docket, as well as the related docket PUE000086, may be reviewed at the Commission's Document Control Center, Tyler Building, 1300 East Main Street, Richmond, Virginia.

Any interested person desiring to make a statement at the hearing should appear in the Commission's courtroom at 10:15 a.m. on the hearing date and identify himself or herself to the bailiff as a public witness.

On or before January 29, 2001, any person desiring to participate as a Protester, as defined in Rule 4:6 of the Commission's Rules of Practice and Procedure ("S.C.C. Rules") 5 VAC 5-10-180,

shall file with the Clerk, Document Control Center, P.O. Box 2118, Richmond, Virginia 23218, an original and fifteen (15) copies of a Notice of Protest, a Protest, and the prepared testimony and exhibits the Protestant intends to present at the hearing. The Protestant shall serve two (2) copies of each of these documents on the Commission Staff and on Counsel for the Company as follows: Guy T. Tripp, III, Esquire, Hunton & Williams, Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219-4074. Two (2) copies of each of these documents shall also be served on all other protestants on or before February 2, 2001.

All written communications to the Commission regarding this proceeding shall identify Case No. PUE000744 and be directed to Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218.

DELMARVA POWER & LIGHT COMPANY

(10) On or before January 5, 2001, Delmarva shall serve a copy of this Order on the County Attorney and Chairman of the Board of Supervisors of each County (or equivalent officials in counties having alternate forms of government) in which the Company offers service, and on the Mayor or Manager and the Attorney of every city and town (or an equivalent official in cities and towns having alternate forms of government) in which the Company offers service. Service shall be made by either personal delivery or by first-class mail to the customary place of business or the residence of the persons served.

(11) At or before the commencement of the hearing scheduled herein, Delmarva shall provide proof of service and notice as required in this Order.